

terrorists are responsible for the murders of American citizens. It is also important to note that the agreement between Hamas and the Palestine Authority does not require Hamas to recognize Israel's right to exist, to accept the previous Israel-Palestinian agreements, or to renounce terrorism.

Hamas continues to be fundamentally opposed to a lasting peace between Israel and the Palestinian Authority. It is apparent there is no path to a peaceful resolution when part of the Palestinian unity government is dedicated to the destruction of Israel.

Prime Minister Benjamin Netanyahu made this point very clear when he addressed the joint session of Congress on May 24 of this year. He stated, "Peace can only be negotiated with partners committed to peace."

Furthermore, it is completely unacceptable for U.S. assistance to go to the Palestinian Authority when it includes Hamas. The Palestinian Authority received approximately \$500 million in U.S. foreign assistance in fiscal year 2010. Hard-earned U.S. taxpayer funds must not be funneled into the pockets of terrorists.

History shows this is not the first attempt by the Palestinians to use the United Nations to circumvent peace negotiations and declare statehood. The Palestinians sought to change their status at the United Nations through the World Health Organization. At that time, Secretary of State James Baker publicly warned that he would recommend that the United States stop funding any international organization that changed the Palestinian status as an observer organization.

Americans are keenly aware that a significant portion of the United Nations' budget is paid by the United States. As the biggest financial contributor to the United Nations, the United States contributed almost \$7.7 billion in fiscal year 2010 to the United Nations system. The United States should not be providing funding for an international institution that circumvents an established peace process and that threatens the security of our allies.

The United States and Israel share a long and deep alliance. Israel is a friend and ally and a strategic partner to the United States. Both Israel and the United States understand the values of life, liberty, opportunity, security, and freedom.

Throughout Israel's history, the country has worked to build a democratic nation in the face of severe obstacles. Israel is a shining example of democracy in the Middle East. As Israel faces real danger from its neighbors, the people of Israel continue to show great strength and perseverance as they seek peace.

On May 22, President Obama explained that no vote at the United Nations would create an independent Palestinian State. On May 25, the President expressed his concern about the

efforts of the Palestinian Authority to seek statehood at the United Nations and referred to it as a "mistake."

The Department of State continues to reiterate that Israel and the Palestinian Authority need to work out the differences between themselves in direct negotiations. The United States has been very clear that we will use veto power in the United Nations Security Council to block any attempt by the Palestinians for state recognition or United Nations membership.

The Obama administration must use all of its resources to block similar actions in the General Assembly and other United Nations organizations. President Obama and Secretary of State Clinton must press the Palestinian Authority to abandon its erroneous decision and return to the negotiating table with Israel.

It is also imperative that other international leaders understand the implications of these efforts and join the United States in opposing them. Nations must stand together to decry the attempt to circumvent direct peace process negotiations.

The Palestinian Authority must also understand that its actions will have serious implications to the U.S.-Palestinian relations and U.S. assistance. The recent actions of the Palestinian Authority indicate to this Senator that the United States has no choice but to suspend funding assistance to the Palestinian Authority.

Today, I call on Congress to terminate funding assistance to the Palestinian Authority. I believe Congress must also evaluate and significantly cut funding to the United Nations if any change to the status of the Palestinian Authority is approved by the General Assembly.

I yield the floor, and I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. KYL. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

ECONOMIC GROWTH

Mr. KYL. Mr. President, President Obama is about to roll out another jobs plan. He talked about it last week. This is 2½ years after the first stimulus bill, which, with interest, amounted to about \$1.2 trillion. His economic advisers have confirmed the fact that this stimulus concept is actually based on the Keynesian economic theory. As our Republican leader noted last week, there are now, unfortunately, 1.7 million fewer jobs in America, according to the Bureau of Labor Statistics, than there were before the President's first stimulus bill. So the question, obviously, is whether this theory is better in theory than it is in practice.

I wanted to talk today a little about the two different basic theories of economic growth and what you do in a situation of economic downturn, as we have today. How should we be looking at stimulation of job creation and economic growth? The two competing theories, of course, are the Keynesian theory, which I mentioned, and what some have called supply-side economics.

There is no question that the Keynesian theory has been one to which the President's economic advisers generally adhere. It was used to justify the 2009 stimulus program and other programs. For example, the one that sticks out in my mind is the so-called cash for clunkers, but there were other transfer payment government programs, temporary tax credits, and others. But the theory in the cash for clunkers is a good example, which is that in recessionary times, if the government spends money and gives it to people so that they can spend it, that will therefore stimulate consumption; that business will respond by increasing production, and that will create jobs.

Recently, for example, Agriculture Secretary Tom Vilsack said that because of a theoretical multiplier effect under this model, food stamps—government money taken from taxpayers and given to people who are entitled or eligible for food stamps—would actually stimulate the economy by a factor of 1.84; in other words, that \$1 of food stamps would actually generate \$1.84 in economic activity. There are a lot of problems with that theory. The first is that the multiplier effect itself has been discredited as not something that, in fact, actually happens.

A Harvard economist by the name of Robert Barro has explained this, and I will quote from one of his writings:

Theorizing aside, Keynesian policy conclusions, such as the wisdom of additional stimulus geared to money transfers, should come down to empirical evidence. And there is zero evidence that deficit-financed transfers raise GDP and employment—not to mention evidence for a multiplier of two. If [Secretary Vilsack's claim] were valid, this result would be truly miraculous. The administration found the evidence it wanted—multipliers around two—by consulting some large-scale macroeconomic models, which substitute assumptions for identification.

In other words, economists can prove the multiplier in theory with these models, but there is no empirical evidence that it has ever occurred. It is a bit like money growing on trees. The money has to come from somewhere, and, of course, it comes out of the pockets of taxpayers or the government borrows it and it eventually has to be repaid with taxpayer tax dollars.

The second problem is that to the extent one assumes the problem is that Americans are too broke to spend money, the question then is, How can the government make that up for us? Aren't the people the government? Doesn't the government get its money from the people in the form of taxes or,

if it borrows, the people's taxes eventually have to pay back the borrowed money. In other words, we have to pay it back later.

Third, people tend to change their spending habits when they know they will have greater consistent income over time, such as when they receive a raise at work. If you give people a one-time payment, the evidence has shown they either save that or they shift future consumption forward. In other words, they may buy something now they were going to buy later. That is where the Cash for Clunkers Program failed. But it doesn't permanently increase their work effort or their incentive to invest, which, of course, is exactly what is needed to jump-start economic growth. The job creators themselves tend to hire when they know they are going to have permanent tax relief or regulatory relief, not just when they receive a one-time payment for something. That is only good for as long as it lasts, but it doesn't provide the consistent, long-term prospect for income, for example, that they need in order to take the step of actually hiring a person and committing to paying that person over time.

Fourth, the Keynesian theory assumes the government has the foresight to determine or, as President Obama's former National Economic Council chief Larry Summers said of the stimulus, to target which spending programs would best create economic growth, but that rarely happens. The obvious problem with this assumption, of course, is that Congress does not spend taxpayer money wisely. We see time and time again how a well-intentioned piece of legislation gets loaded up with special projects, frequently which are costly to the public and very questionable in their value. That was one of the things that was wrong with the stimulus package itself.

There is an eye-opening new set of working papers that reveals the truth about this. Mercatus Center scholars Garrett Jones and Daniel Rothschild took a look at, among other things, whether Congress did a good job of targeting the stimulus funds at unemployed workers and weak sectors of the economy. They surveyed hundreds of firms that received stimulus funding and gathered more than 1,000 voluntary, anonymous responses from employees and managers to help shed more light on what happened to organizations that received stimulus funds. Here is what they wrote:

Our survey finds no evidence of such [Keynesian] targeting occurring, at least not successfully.

For example, one city was given \$4 million to improve energy efficiency even though a budget shortfall had just forced it to lay off 185 public workers. In another case study, a Federal contractor was instructed to purchase more expensive tiles than he needed for a particular project. The theory was, in that way the government could claim the stimulus money was getting out

the door faster. This isn't the way to spur economic growth. And I believe most Keynesians believe that what the government spends its money on matters.

Moreover, the study I referred to also found that less than half of those hired with the stimulus funds were unemployed—about 42.1 percent. Jobs were simply moving from one place to another. The authors of the study wrote:

Hiring is not the same thing as net job creation. This suggests just how hard it is for Keynesian job creation to work in a modern, expertise-based economy.

In other words, while an employer might steal an employee from another employer, that is not the same thing as creating a net new job.

So the bottom line here is there is a major misconception that consumption fueled by government spending actually creates jobs. It turns out that it doesn't. It just inefficiently moves borrowed money around with a bill that has to be repaid later.

I believe it is also important to remember that economic growth stems from combining three inputs: labor, capital, and technology. These three factors of production result in output we can then consume. This is the beginning of the difference between the Keynesian philosophy and the supply-side philosophy, which focuses on productivity. And what is required for society to be more productive? Labor, capital, and technology. Properly applied, when these three aspects of an economy are well-aligned, the economy can grow, jobs can be produced, and people will consume, but they will be consuming things that have been produced by the businesses of the country. Without labor, capital, and technology, there can be no consumption. I mean, that is obvious. Focusing on policies that stimulate consumption targets the wrong side of the equation. In order to get the economy going, you need to focus on the inputs.

There is an incidental problem here. Stimulating consumption also raises prices, which is exactly what we don't need. When you stimulate input or productivity, you produce more of the quality goods people want, and the prices of those products are down if there is enough productivity. But when you try to stimulate consumption for a fixed number of goods, obviously the price of those goods goes up. There is a fear of inflation in our society today, and that is precisely what this kind of Keynesian stimulus will produce.

This matter of focusing on inputs, as I said, is where the second philosophy of economic growth comes in—supply-side economics, which focuses on productivity. The fundamental principle of supply-side economics is that people work harder and take more risks when there are more opportunities for economic gain and less government intrusion.

Translating this economic philosophy into policy means several things—first of all, reducing govern-

ment consumption by cutting spending, thus leaving resources in the private sector.

I mentioned food stamps before. The government can only give money to food stamp recipients by taxing the money of someone else or borrowing the money. Eventually, that borrowed money needs to be paid back. How is it paid back? It is paid back by taxpayers paying money to the government, which can then repay its debt. In either event, eventually the money the government spends to stimulate the economy has to come from somewhere, and the only place it can come from is the American taxpayer.

The bottom line is, with Keynesian stimulus spending, there is no free lunch. The money doesn't materialize out of nowhere. It is not free for the government to inject this money into the economy by giving it to favored groups or to redistribute it to people within our society so they can spend it. That is why this factor some people talk about that we actually get more money back than we put in is wrong in two ways.

First, as I pointed out before, there is no empirical evidence that ever happened. Secondly, eventually, the money has to be repaid or, if it was taxpayer money to begin with, that is \$1 less taxpayer money that that taxpayer has to invest or to consume or, if it is a businessperson, to hire someone in the private business.

The bottom line is, government money isn't free. So the whole premise of Keynesian economics that we get a free dollar someplace and that produces benefits by people then spending it is wrong. How about leaving it in the pocket of the person whom we want to spend it in the first place? Chances are that person can make a more intelligent decision about what he or she needs than the U.S. Government.

Second, as I said here, we are talking about incentives in the marketplace which are based, by every economic study, on long-term policies: long-term tax policies, long-term regulatory policies. An individual small businessman, for example, wants to know what the law will be 2 and 3 and 4 years out before he decides to hire a new employee he is going to have to pay taxes for, whom he is going to have to provide potentially a health benefit for, certainly a salary. If he doesn't think that government policy over that long term is going to enable him to continue to employ the individual, he is not going to hire him in the first place.

Another thing that supply-side economics means is that the worst thing we could do, especially in economic down times, is to raise taxes on anyone but certainly not on the very employers we count on to hire more workers. Who is the first to hire coming out of a recession? It is small business.

So the very people we are asking to hire more Americans to put them back to work are the people who would be impacted by the taxes the President

talked about the other night. He is talking about taxing “wealthier Americans.” What does that mean? It means people who make incomes above \$200,000, and that happens to be the group that represents the bulk of the small business entrepreneurs in America. Fifty percent of all small business income is paid in those top two income tax brackets on which the President would raise taxes.

So the very people we want to hire more workers, we are going to impose more taxes on; and then we are going to expect them to hire more to reduce unemployment so we can have greater economic growth? It simply doesn't work that way.

The final point has to do with regulations. More and more, the President seems to be acknowledging that the runaway regulations of his administration are actually beginning to harm business and job creation. This is why he has announced his effort to try to streamline the regulations and get rid of any that don't work; why he withdrew a proposed regulation from the Environmental Protection Agency recently that would have had a very negative impact on business. He is beginning to recognize that his administration is a big wet blanket over businesses these days because of their burden of regulations. We cannot stimulate the economy or job growth with the government imposing more and more costly regulations on American business every day.

The President set up a false choice in his speech the other night. He said: We have to do away with these job-killing regulations. But, he said, I will not do away with the regulations which protect the American people from—and then he named a litany of things he wants to protect the American people from.

Nobody is talking about eliminating all regulations or having unsafe food or unsafe products for little babies and the like. We are not talking about that. We are talking about the issuance of thousands and thousands of pages of new regulations every month by this administration at an extraordinary cost on American business with very little regard for a cost benefit—in other words, how much society benefits versus the cost of these regulations imposed on business.

By the way, when I say the cost imposed on businesses, who pays? Businesses are the people in the business. The consumers end up paying the cost of the regulations which obviously are passed on. So this is, again, another indirect tax on the American people. That is why I said before, no tax—but especially in a time such as this—whether direct or indirect, is a good idea because of the negative impact it has on job creation.

The bottom line of all this is, there are two basic theories. The one theory basically says we can get something for nothing. The government will get money, forget where it gets it. But

when it gives it to people, they will spend it. When they spend it, then whatever they spend it on, that producer has to produce more of those things so they will have to hire somebody to make more of them. But that is exactly backward. It doesn't work that way.

The supply-side theory says, first of all, the money didn't come to the government free. It had to be taken out of the private sector. The government either had to tax somebody, so they have \$1 less to spend, or it gives an IOU, which means eventually the taxpayers have to pay the taxes to repay the IOU. In either case, that is \$1 taken out of the economy. It is \$1 not there in the private sector for an entrepreneur to hire someone or to produce something.

So the supply-side economics says, let's look at the other side of the equation. Rather than focusing on consumption, let's focus on productivity where technology, labor, and capital can produce more, can make a society more productive, more wealthy, where more people can have work, they can have better paying jobs. What they produce has greater value, and people are willing to buy it, as a result of which they put more money back into the economy. That is the cycle that produces wealth, and it is the cycle that has caused economic growth and job creation and wealth generation in this country now for over 200 years.

It begins with the proposition that job growth starts in the private sector, that government doesn't create jobs, that money starts with the people, the taxpayers. They generate the income, and the government gets a piece of that in the way of tax revenue. But the money belongs to the people, not the government. Third, there is no magic when the government somehow gets \$1 in order to redistribute it so somebody can buy something with it. We have to remember where the dollar came from. It didn't materialize out of thin air. It started with a hard-working taxpayer who earned the dollar and then either paid it to the government in taxes or is paying it in taxes to repay a debt that the government incurred in order to borrow money for a stimulus package.

As we think about the President's proposed third or fourth stimulus, however we count it now, I hope we can keep these economic theories in mind: There is no free lunch. There is no free money. Eventually, the taxpayers are who create the wealth and the job creators create the jobs. If we keep those principles in mind, I think we will look a little bit more skeptically on the notion that we can somehow target job creation with yet another stimulus bill and that is going to get us out of our economic woes.

If my colleagues will keep these principles in mind, I think we will make wise decisions and prevent the country from going even deeper into debt and try to focus on the long term so businesses can actually make decisions based upon long-term thinking rather

than based upon the ephemeral effects of short-term stimulus.

The PRESIDING OFFICER (Mr. BLUMENTHAL). The Senator from Wyoming.

REMEMBERING 9/11

Mr. ENZI. Mr. President, yesterday marked 10 years since the horrendous attack of Americans on American soil, but it led to a lot of patriotism and a lot of flags being displayed all over the country.

Over the weekend, I noticed my 3-year-old granddaughter and my 4-year-old granddaughter, when they saw a flag hanging anywhere, said “God bless America.”

Throughout the history of the United States, each generation has had at least one iconic moment, one moment in time that served to galvanize the Nation and call each and every American to take on a cause much greater than themselves. Ultimately, the results they were able to achieve served to define who they were as a generation and what they were capable of, both as individuals and as a nation.

For my father, that moment was the bombing of Pearl Harbor. As we watched with growing concern, a terrible evil had taken the whole world to the brink of war. We found we no longer had a choice as to whether we would get involved. We were forced to take action and bring our military might to bear against an enemy that had set its sights on world domination.

As soon as the call went out, brave men and women from all across the country volunteered to serve in our military and to take up arms to defend the rights and liberties we cherish as Americans. They soon proved to be worthy of the task as we once again showed that ours was the greatest fighting force the world has ever known. Thanks to them, the tyranny and oppression that threatened to overwhelm Europe was halted and peace and freedom was once again restored to a war-weary world.

Returning home from the battlefields on which they had served with distinction, our service men and women took up another great challenge and that was to rebuild our Nation and to restore its greatness. Their commitment and dedication to that great mission helped to make the United States what it is today. Thanks to them, their sons and daughters received the greatest gift they could possibly receive, our American way of life. Their actions made it clear that the American dream belongs to everyone, and it can come true, if we are willing to do whatever is necessary to make it happen.

For me and my generation, our iconic moment came with the news that the Soviet Union had launched Sputnik into space. In that brief moment in time, we were once again filled with that same determination as we realized we were in second place in the race for space and in other things. That would never be acceptable or accepted.